

The Honorable Christopher M. Alston
Chapter 11
Hearing Date: Tuesday, March 1, 2018
Hearing Time: 9:00 am
Hearing Location: Seattle, Rm. 7206
Response Date: March 1, 2018

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re

NORTHWEST TERRITORIAL MINT, LLC,

Debtor.

No. 16-11767-CMA

Supplemental Brief Regarding
Intellectual Property Issues In Support of
Interested Parties New York
Numismatic Club, Gary Marks and
Heidi Wastweet's Limited Objection to
Trustee's Motion to Sell Estate Property
Free and Clear of Liens and Motion for
Return of Property

Comes now, New York Numismatic Club, ("NYNC"), Gary Marks ("Marks") and Heidi Wastweet ("Wastweet") Interested Parties in the above-reference matter, by and through their attorney, Michelle Carmody Kaplan, of Kaplan Law PLLC, and hereby submit this Supplemental Brief Regarding Intellectual Property Issues In Support their Limited Objections to Trustee's Motion to Sell Estate Property Free and Clear of Liens and Interested Parties' Motion for Return of Property [NYNC Objection Dkt. No. 1408] [Marks and Wastweet Objection Dkt. No. 1406].

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1 **I. NYNC, MARKS AND WASTWEET EACH OWN A PROTECTABLE**
2 **COPYRIGHT INTEREST**

3 Assuming *arguendo* that the Debtor has physical ownership rights in the dies,¹ this
4 Court should strictly protect Interested Parties' copyrights in the art itself. Each of the
5 Interested Parties owns the copyright and has exclusive rights that cannot be limited in a sale
6 pursuant to 11 U.S.C. § 363.

7
8 A. NYNC Owns the Copyright in Its Presidential Medal Dies

9 Trustee argues that the NYNC does not have a copyright interest in its Presidential
10 Medal Dies because NYNC commissioned the work to one or more artists. Trustee's position
11 is not only wrong but also unhelpful to the Trustee's case.

12 As set forth in NYNC's Objection, [Dkt. No. 1408], NYNC has commissioned the
13 artwork and contracted with the Medallic Art Company ("MACO") (collectively with the
14 Northwest Territorial Mint Company the "Mint") to produce a series of Presidential Medals to
15 honor the outgoing President of NYNC every two years. The medals bear the portrait of the
16 honored President on one side and the seal of the New York Numismatic Club on the other.²
17 The NYNC dies still stored in MACO's Library were fabricated by MACO between 1917 and
18 1977.³

19 The Trustee's argument that the commissioned artist retains the copyright is only
20 correct after January 1, 1978, the effective date of the Copyright Act of 1976, 11 U.S.C. § 101
21 *et seq.* ("1976 Copyright Law"). Prior to January 1, 1978 it was black letter law that the "work
22 for hire" provisions of the 1909 Copyright Act, 17 U.S.C. § 26 ("1909 Copyright Act") applied
23 equally to employees and independent contractors. *Lin-Brook Builders Hardware v. Gertler*,

24

¹ Ownership is steadfastly denied by these Interested Parties as well as potentially dozens of additional
25 interested parties who have learned recently of the potential sale of dies and will be filing objections by March
26 8, 2018.

² NYNC will submit additional evidence as part of its renewed objection to sell property showing that Medallic
Art has 16 NYNC dies remaining in its library, with the balance having been returned to NYNC at its request.

³ The additional evidence to be submitted will identify each die by year of production. 300 NY 135

1 352 F.2d 298, 299 (9th Cir. 1965); *Brattleboro Publishing Co. v. Winmill Publishing Corp.*,
2 369 F.2d 565 (2nd Cir. 1966). In *Gertler*, the 9th Circuit held:

3 “[W]e believe that when one person engages another, whether as a employee
4 or as an independent contractor, to produce a work of an artistic nature, that
5 in the absence of an express contractual reservation of the copyright in the
6 artist, the presumption arises that the mutual intent of the parties is that the
7 title to the copyright shall be in the person at whose instance and expense the
8 work is done.” *Id.* At 299.

9 Similarly, in *Brattleboro Publishing*, the 2nd Circuit held that the “works for hire” provision of
10 the 1909 Act, which codified the Supreme Court decision in *Bleistein v. Donaldson
11 Lithography Co.*, 188 U.S. 239, 248 (1903), established a presumption that “the copyright shall
12 be in the person at whose instance and expense the work is done. *Brattleboro Publishing*, 369
13 F.2d at 567.

14 Thus, the only evidence before the Court is that the NYNC commissioned the artistry
15 for each of their Presidential Medals between 1903 and 1977. As the party who paid for and
16 controlled the work, prior to January 1, 1978, the NYNC owns the copyrights.

17 However, even assuming Trustee was correct, that the artist who was commissioned by
18 the NYNC to provide the artwork owns the copyright, the Trustee does not explain how that
19 would give the Debtor the right to sell, transfer or extinguish the artist’s copyright. Section
20 363(f) cannot be used to sell property that the Debtor does not own, such as intellectual
21 property. *See Folger Adam Sec., Inc. v. DeMatties/MacGregor, JV*, 209 F.3d 252, 263 (3d Cir.
22 2000 (property not part of the bankruptcy estate is not subject to a section 363 sale); *Novacare
23 Holdings, Inc. v. Mariner Post-Acute Network, Inc. (In re Mariner Post-Acute Network, Inc.)*
24 267 B.R. 46, 59 (Bankr. D. Del. 2001) (bankruptcy court’s jurisdiction does not extend to
25 property that is not part of the debtor’s estate).

26 Further, a sale under §363(f) could not extinguish a copyright holder from asserting
tortious claims, like copyright infringement, against a buyer. Such a claim would only arise in
the event that a buyer violated the copyright’s exclusive rights. *See Morgan Olson, LLC v.
Frederico (In re Grumman Olson Indus., Inc.)*, 445 B.R. 243, 254-55 (Bankr. S.D.N.Y. 2011).

Finally, Debtor has not provided adequate notice to potential holders of copyrights that
may have become fixed earlier than 1977. Due process requires that a party seeking relief

1 must give “notice reasonably calculated, under all the circumstances, to apprise interested
2 parties of the pendency of the action and afford them an opportunity to present their
3 objections.” *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950). The
4 bankruptcy code “requires the trustee or debtor in possession to provide parties in interest with
5 adequate notice and an opportunity to be heard before their interests may be adversely affected.
6 *Western Auto Supply Co. v. Savage Arms, Inc. (In re Savage Indus., Inc.)*, 43 F.3d 714, 720
7 (1st Cir. 1994). Section 363(f) requires notice and a hearing before assets can be sold outside
8 of the ordinary course of business. Any sale order under that section that attempts to free a
9 debtor from its liabilities does not bind a party in interest that did not receive appropriate notice.
10 *Id.* at 721.

11 In this case, Trustee has made no attempt to notify the artists, or in many cases their
12 heirs, of a sale that may transfer or interfere with the artist’s copyright. The Trustee cannot
13 sell any copyrights applicable to the dies because the Debtor does not own them, there has been
14 no consent to transfer, and there has been inadequate notice provided to the extent the Court
15 finds that the original artists hold the copyrights.

16 Ultimately, however, the NYNC owns the copyrights in the original work, and all
17 derivative works, for its Presidential Medals because each of those Medals were made pursuant
18 to the 1909 Copyright Act.

19 **B. Marks and Wastweet Own the Copyright in Their Art**

20 While it does not appear to be disputed by Trustee, Marks and Wastweet own the
21 copyrights in the work submitted to Debtor used to manufacture the dies for Marks and
22 Wastweet’s medallic art.⁴ Copyright protection subsists in “original works of authorship fixed
23 in any tangible medium of expression, 17 U.S.C. § 102(a), and includes “pictorial, graphic,
24 and sculptural works,” § 102(a)(5). Thus, to be copyrightable, a work must meet the
25 requirements of (1) authorship, (2) originality, and (3) fixation. artist signature fixation
26

⁴ With respect to the bas-relief sculpture created by Wastweet based on Marks’ design, Wastweet would own a
copyright on the derivative work and Marks owns the copyright on the original design. See 17 U.S.C. §§ 101
(definition of “derivative work”), 102(a)(5), (106)(2) (owner of copyright has exclusive right to authorize
derivative work).

1 As set forth in Marks and Wastweet's Limited Objection (Dkt. No. 1406, p. 2), creating
2 a custom coin or medal is a three-part process. First, an artist creates a design digitally or
3 manually on paper. Second, the artist contracts with a bas-relief sculptor, like Wastweet, to
4 create 3D sculpts of the images.⁵ Third, the artist provides the sculpts to a mint such as MACO
5 or Northwest Territorial Mint to create the dies and ultimately strike and mint the coins or
6 medals.

7 Both Marks and Wastweet have submitted Declarations to the Court that confirm their
8 authorship of the artwork submitted to the Mint. (Marks Decl. Dkt. No. 1412 ¶¶ 4-5 and
9 Wastweet Decl. Dkt. No. 1407 ¶4). Their work is also original in that it was independently
10 created. *See L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 489-90 (2nd Cir. 1976). The sculpts
11 ultimately provided to the Mint were "fixed" as the work was signed by both Wastweet and
12 Marks (Marks' work) or just by Wastweet with respect to her work.

13 There can be little doubt that Marks and Wastweet, like the NYNC, own the copyrights
14 for the artwork that is captured in the dies manufactured by the Mint.

15 **II. MARKS, WASTWEET AND NYNC OWN ALL COPYRIGHT PROTECTIONS**

16 With the exception of the Trustee's incorrect argument that the NYNC doesn't own the
17 copyright on its Presidential Medals because it commissioned the art, Trustee does provide any
18 argument that the Interested Parties have anything less than full rights under the Copyright
19 law. The exclusive rights afforded copyright owners include (1) to copy the work, (2) prepare
20 derivative works based on the original work, (3) to distribute copies of the work to the public
21 and (4) the exclusive right to display the work publicly. 17 U.S.C. § 106(1)-(3), (4).

22 The die, on the other hand, is simply a "useful article" which has no copyright
23 protection separate from the copyright owners. A "useful article" is "an article having an
24 intrinsic utilitarian function that is not merely to portray the appearance of the article or to
25 convey information." 17 U.S.C. § 101. A useful article cannot be copyrighted "except to the
26 extent that their designs incorporate artistic features that can be identified separately from the
functional elements of the articles." *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2nd
989, 992 (2nd Cir. 1980); 17 U.S.C. § 101. In *Mazer v. Stein*, 347 U.S. 201, 211-13 (1954) the

⁵ In Wastweet's case she authored both the design and the bas-relief sculpture.

1 Corut identified a lamp that incorporated in its design statuettes of male and female dancing
2 figures as a “useful article” while recognizing the copyright in the dancing figures.

3 In this case, the die has only an intrinsic utilitarian function. The die’s function is to
4 strike medals so that a derivative work can be created (the medal). However, if you remove
5 the “art” from the die, the die cannot be considered to have original work. Thus, there can be
6 no copyright in the die itself⁶, only the art owned by, in this case, NYNC, Marks and Wastweet.

7 Thus, in the event that the Court finds that the Mint “owns” the dies themselves, as
8 useful articles, they can only sell the object itself, without any attendant rights to copy, prepare
9 derivative works, distribute copies or display publicly. As set forth previously in Marks and
10 Wastweet’s Objection, the die’s only value separate and apart from the copyrighted work is
11 the value of the metal itself.

12 **III. CONCLUSION**

13 NYNC, Marks and Wastweet, and generally hundreds of artists, organizations, society’s
14 and associations, own a large portion of the copyrights contained in the die library that Trustee is
15 attempting to sell. While Copyright protection will follow the die, if the Mint is allowed to sell
16 them, that protection will end the United States border for all practical purposes. The Mint
17 recognized this and, as an apparent inducement for customers to maintain their dies in its Library,
18 boasted that:

19 “your dies are safe in our state-of-the-art library”

20 and

21 “We store each customer die domestically, protecting our customer’s designs
22 as well. **Dies produced overseas often fall prey to loss or counterfeit.**”

23 and finally

24 “Without domestic storage, the status of dies can be uncertain and prices on
25 reordering work will naturally skyrocket. Thanks to our secure die library, we
26 stand ready to strike your future coins, medals, or other products immediately,

⁶ Interested Parties do not dispute that to the extent employees of the Mint provided graphics, art, etc. to a die, that work is subject to copyright protection. However, the Mints suggestion that it would be the exclusive owner of that copyright is mistaken. Rather, if the Mint takes a rough drawing from a customer, and turns it into a drawing that is then used to create the die, then the Mint and the customer would be “joint” owners of undivided interests in the copyright. 17 U.S.C. § 101. As joint owners of the copyright, the Mint would be subject to account for any exploitation of the work resulting in profit.

1 for a reasonable cost.” See Marks Declaration, Exhibit G (Dkt. No. 1412).

2 Ultimately, the decision of this Court goes to the very core of copyright protection. Customers
3 have trusted this Mint to secure not only the physical properties of the die itself, but the
4 expression of personal artistry of potentially thousands of artists and bas-relief sculptors.

5 In the event the Court finds that the Trustee can sell the physical dies, without any transfer
6 of copyright, Interested Parties would request the following language be included in the sale
7 order:
8

9 Notwithstanding anything to the contrary contained in this Order, nothing in this
10 Order shall be construed to give the Debtor the power to convey any interest in or
11 authorize the Purchaser to infringe on or use the copyrights or other intellectual
12 property of third parties. To the extent that Purchaser takes custody of, or otherwise
13 acquires control over, any property (which includes dies, galvanos, bas-relief
14 sculpt, electronically stored images, diagrams or manifestations of copyrighted
15 material, or sample strikes of coins or medals that have not been authorized to be
16 used, sold, displayed or circulated) that is subject to copyright, Purchaser shall not
17 be relieved or excused from any liability or claims arising after the sale for
18 Copyright Infringement or other applicable causes of action.

15 The Purchaser shall have no greater right in or to copyrights or other intellectual
16 property that is owned by parties other than the Debtor to the extent those
17 copyrights or intellectual property protections are manifested in property
18 transferred to Purchaser. Purchaser agrees that all copyrights and intellectual
19 property will be held in trust by Purchaser for the benefit of the copyright or
20 intellectual property owner and that Purchaser shall maintain the copyrighted or
21 intellectual property safely and securely in order to avoid copies, replicas,
22 derivative works, unauthorized striking or the transfer of any such property to an
23 entity outside the United States.

21 DATED this 1st day of March 2018.

22 **KAPLAN LAW PLLC**

23
24 By /s/ Michelle Carmody Kaplan
25 Michelle Carmody Kaplan
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